GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5053
ANSWERED ON:26.04.2002
INVESTMENT AND LOAN LIMIT OF BANKS
SURESH PASI

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have decided to amend investment and loan limit of banks in view of the frauds taking place in the banks;

(b) if so, the amendments made or proposed to be made in this regard; and

(c) the extent upto which the above amendments are likely to help to keep full check on the frauds in the banks in future ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a),(b)&(c): Reserve Bank of India (RBI) has revised its guidelines in May, 2001 regarding the fund based and non-fund based exposure by banks. The exposure ceiling for single borrowers is reduced from 20% to 15% of capital funds. The group exposure limit has been fixed at 40% and the exposure limit for financing of infrastructure projects is kept at 50% of capital funds. The ceiling for total exposure to the capital market is stipulated at 5% of banks total outstanding advances. The exposures of banks in terms of direct investment in shares not to exceed 20% of its net own funds. These changes are aimed at better credit risk management.